

UNION COUNTY

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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# UNION COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Tom McCann	Board of Supervisors	Jan. 2007
Michael J. King	Board of Supervisors	Jan. 2007
Curt Turner	Board of Supervisors	Jan. 2007
Robert G. Brown	Board of Supervisors	Jan. 2009
Donald W. Irelan	Board of Supervisors	Jan. 2009
Sandy Hysell	County Auditor	Jan. 2009
Linda Marley	County Treasurer	Jan. 2007
Paula White	County Recorder	Jan. 2007
Rick L. Piel	County Sheriff	Jan. 2009
Timothy R. Kenyon	County Attorney	Jan. 2007
Steven Gene Haner	County Assessor	Jan. 2010
(After January 2007)		
Tom McCann	Board of Supervisors	Jan. 2011
Michael J. King	Board of Supervisors	Jan. 2011
Ron Riley	Board of Supervisors	Jan. 2011
Robert G. Brown	Board of Supervisors	Jan. 2009
Donald W. Irelan	Board of Supervisors	Jan. 2009
Sandy Hysell	County Auditor	Jan. 2009
Linda Marley	County Treasurer	Jan. 2011
Paula White	County Recorder	Jan. 2011
Rick L. Piel	County Sheriff	Jan. 2009
Timothy R. Kenyon	County Attorney	Jan. 2011
Steven Gene Haner	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union County as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2008 on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 42 through 44 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 14, 2008

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## Basic Financial Statements

UNION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,788,463
Receivables:	
Property tax:	
Delinquent	19,671
Succeeding year	3,777,000
Interest and penalty on property tax	49,825
Accounts	72,895
Accrued interest	19,037
Due from other governments	323,989
Inventories	171,090
Capital assets, net of accumulated depreciation (note 4)	<u>7,671,980</u>
Total assets	<u>14,893,950</u>
Liabilities	
Accounts payable	407,548
Salaries and benefits payable	65,834
Due to other governments (note 5)	307,429
Accrued interest payable	16,227
Incurred but not reported claims	105,000
Deferred revenue:	
Succeeding year property tax	3,777,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Capital lease purchase agreement	27,609
General obligation bonds	365,000
General obligation notes	105,000
Rural development loan	3,425
Compensated absences	148,529
Portion due or payable after one year:	
Capital lease purchase agreement	28,949
General obligation bonds	3,565,981
General obligation notes	410,000
Rural development loan	<u>13,725</u>
Total liabilities	<u>9,347,256</u>



UNION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2007

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 3,583,294
Restricted for:	
Supplemental levy purposes	119,185
Rural services	166,480
Secondary roads	656,787
Capital projects	6,698
Other special revenue purposes	434,634
Unrestricted	<u>579,616</u>
Total net assets	<u><u>\$ 5,546,694</u></u>

See notes to financial statements.

UNION COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and and Changes in Net Assets
Governmental Activities:					
Public safety and legal services	\$ 1,231,586	\$ 103,428	\$ 24,139	\$ -	\$ (1,104,019)
Physical health and social services	311,607	42,690	80,643	-	(188,274)
Mental health	1,640,412	2,471	656,492	-	(981,449)
County environment and education	385,124	123,926	15,017	-	(246,181)
Roads and transportation	2,873,626	82,052	1,827,144	1,754,396	789,966
Government services to residents	381,098	224,692	-	-	(156,406)
Administration	1,048,994	34,353	-	-	(1,014,641)
Interest on long-term debt	188,680	-	-	-	(188,680)
Total	\$ 8,061,127	\$ 613,612	\$ 2,603,435	\$ 1,754,396	(3,089,684)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,194,619
Debt service					274,035
Tax increment financing					224,523
Penalty and interest on property tax					53,138
State tax credits					214,420
Local option sales and services tax					484,851
Unrestricted investment earnings					164,045
Miscellaneous					33,289
Total general revenues					4,642,920
Change in net assets					1,553,236
Net assets beginning of year					3,993,458
Net assets end of year					\$ 5,546,694

See notes to financial statements.

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UNION COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 637,843	\$ 134,726	\$ 151,639	\$ 585,174
Receivables:				
Property tax:				
Delinquent	11,362	4,082	2,712	-
Succeeding year	2,072,000	703,000	607,000	-
Interest and penalty on property tax	49,825	-	-	-
Accounts	26,067	-	-	1,266
Accrued interest	12,565	-	-	-
Due from other governments	31,515	2,031	28,296	262,147
Inventories	-	-	-	171,090
Total assets	<u>\$ 2,841,177</u>	<u>\$ 843,839</u>	<u>\$ 789,647</u>	<u>\$ 1,019,677</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 967,887	\$ 2,477,269
1,515	19,671
395,000	3,777,000
-	49,825
284	27,617
3,096	15,661
-	323,989
-	171,090
<u>\$ 1,367,782</u>	<u>\$ 6,862,122</u>

UNION COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 54,027	\$ 25,554	\$ 5,755	\$ 235,260
Salaries and benefits payable	20,875	-	7,304	37,520
Due to other governments (note 5)	22,483	284,946	-	-
Deferred revenue:				
Succeeding year property tax	2,072,000	703,000	607,000	-
Other	61,187	4,082	2,712	-
Total liabilities	<u>2,230,572</u>	<u>1,017,582</u>	<u>622,771</u>	<u>272,780</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	171,090
Supplemental levy purposes	124,562	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	486,043	-	-	-
Special revenue funds	-	(173,743)	166,876	575,807
Capital projects fund	-	-	-	-
Total fund balances	<u>610,605</u>	<u>(173,743)</u>	<u>166,876</u>	<u>746,897</u>
Total liabilities and fund balances	<u>\$ 2,841,177</u>	<u>\$ 843,839</u>	<u>\$ 789,647</u>	<u>\$ 1,019,677</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 86,952	\$ 407,548
135	65,834
-	307,429
395,000	3,777,000
1,515	69,496
<u>483,602</u>	<u>4,627,307</u>
-	171,090
-	124,562
11,845	11,845
-	486,043
434,634	1,003,574
437,701	437,701
<u>884,180</u>	<u>2,234,815</u>
\$ <u><u>1,367,782</u></u>	\$ <u><u>6,862,122</u></u>

## UNION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007

Total fund balances of governmental funds	\$ 2,234,815
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$11,345,165 and the accumulated depreciation is \$3,673,185.	7,671,980
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	69,496
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	254,848
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,227)
Long-term liabilities, including capital lease purchase agreement payable, bonds payable, rural development loan payable, notes payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,668,218)</u>
Net assets of governmental activities	<u><u>\$ 5,546,694</u></u>

See notes to financial statements.



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# UNION COUNTY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2007

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,074,370	\$ 710,338	\$ 649,569	\$ 242,426
Interest and penalty on property tax	43,384	-	-	-
Intergovernmental	221,724	700,927	68,754	1,841,373
Licenses and permits	3,190	-	19,245	1,250
Charges for service	420,753	-	860	1,000
Use of money and property	140,432	-	-	-
Miscellaneous	47,537	2,471	254	61,440
Total revenues	<u>2,951,390</u>	<u>1,413,736</u>	<u>738,682</u>	<u>2,147,489</u>
Expenditures:				
Operating:				
Public safety and legal services	1,155,484	-	65,506	-
Physical health and social services	182,470	-	79,633	-
Mental health	-	1,640,412	-	-
County environment and education	285,183	-	67,488	-
Roads and transportation	-	-	75,728	2,664,709
Government services to residents	378,111	-	-	-
Administration	945,591	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	141,346
Total expenditures	<u>2,946,839</u>	<u>1,640,412</u>	<u>288,355</u>	<u>2,806,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,551</u>	<u>(226,676)</u>	<u>450,327</u>	<u>(658,566)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	5,133
Interfund transfers in (note 3)	-	-	-	500,898
Interfund transfers out (note 3)	(67,710)	-	(471,318)	-
General obligation note proceeds	-	-	-	-
Total other financing sources (uses)	<u>(67,710)</u>	<u>-</u>	<u>(471,318)</u>	<u>506,031</u>
Net change in fund balances	\$ (63,159)	\$ (226,676)	\$ (20,991)	\$ (152,535)
Fund balances beginning of year	<u>673,764</u>	<u>52,933</u>	<u>187,867</u>	<u>899,432</u>
Fund balances end of year	<u>\$ 610,605</u>	<u>\$ (173,743)</u>	<u>\$ 166,876</u>	<u>\$ 746,897</u>

See notes to financial statements.

Nonmajor Governmental			
Funds		Total	
<hr/>		<hr/>	
\$	498,307	\$	4,175,010
	-		43,384
	31,729		2,864,507
	-		23,685
	3,015		425,628
	41,884		182,316
	-		111,702
	<hr/> 574,935		<hr/> 7,826,232
	-		1,220,990
	21,067		283,170
	-		1,640,412
	11,346		364,017
	-		2,740,437
	4,966		383,077
	-		945,591
	519,949		519,949
	97,474		238,820
	<hr/> 654,802		<hr/> 8,336,463
	<hr/> (79,867)		<hr/> (510,231)
	-		5,133
	50,134		551,032
	(12,004)		(551,032)
	510,063		510,063
	<hr/> 548,193		<hr/> 515,196
	468,326		4,965
	<hr/> 415,854		<hr/> 2,229,850
\$	<hr/> 884,180	\$	<hr/> 2,234,815

## UNION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 4,965

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlay  
expenditures and depreciation expense in the current year are as follows:

	Capital outlays	\$ 358,959	
Capital assets contributed by the Iowa Department of Transportation	1,754,396		
Depreciation expense	<u>(445,748)</u>		1,667,607

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds, as follows:

	Property tax	3,018	
Other	<u>9,754</u>		12,772

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds, but issuing debt increases long-term liabilities in the  
Statement of Net Assets. (515,000)

Repayments of purchase agreement, bond and rural development loan  
principal are expenditures in the governmental funds, but the repayments  
reduce long-term liabilities in the Statement of Net Assets. 338,632

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

	Compensated absences	(863)	
Interest on long-term debt	<u>(2,426)</u>		(3,289)

The Internal Service Fund is used by management to charge the costs of  
employee health benefits to individual funds. The change in net assets  
of the Internal Service Fund is reported with governmental activities.

47,549

Change in net assets of governmental activities \$ 1,553,236

See notes to financial statements.

UNION COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 311,194
Receivables:	
Accounts	45,278
Accrued interest	<u>3,376</u>
Total assets	<u>359,848</u>
Liabilities	
Incurred but not reported claims	<u>105,000</u>
Net Assets	
Unrestricted	<u><u>\$ 254,848</u></u>

See notes to financial statements.

UNION COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 677,054
Reimbursements from employees and retirees	114,598
Insurance reimbursements	<u>294,794</u>
Total operating revenues	<u>1,086,446</u>
Operating expenses:	
Medical claims	795,386
Insurance premiums	183,198
Administrative fees	66,508
Miscellaneous	<u>9,635</u>
Total operating expenses	<u>1,054,727</u>
Operating income	31,719
Non-operating revenues:	
Interest on investments	<u>15,830</u>
Net income	47,549
Net assets beginning of year	<u>207,299</u>
Net assets end of year	<u>\$ 254,848</u>

See notes to financial statements.

UNION COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 677,054
Cash received from employees and retirees	114,598
Cash received from insurance reimbursements	250,493
Cash payments to suppliers for services	<u>(1,054,727)</u>
Net cash used by operating activities	<u>(12,582)</u>
Cash flows from investing activities:	
Interest on investments	15,284
Redemption of investments	203,277
Purchase of investments	<u>(200,000)</u>
Net cash provided by investing activities	<u>18,561</u>
Net increase in cash and cash equivalents	5,979
Cash and cash equivalents at beginning of year	<u>105,215</u>
Cash and cash equivalents at end of year	<u>\$ 111,194</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 31,719
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) in accounts receivable	<u>(44,301)</u>
Net cash used by operating activities	<u>\$ (12,582)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Cash and pooled investments	\$ 311,194
Less items not meeting the definition of a cash equivalent:	
Certificates of deposit	<u>(200,000)</u>
Cash and cash equivalents end of year	<u>\$ 111,194</u>

See notes to financial statements.

UNION COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2007

Assets

Cash and pooled investments:

County Treasurer	\$ 2,116,080
Other County officials	42,280

Receivables:

Property tax:

Delinquent	49,788
Succeeding year	8,848,000

Accounts	10,046
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Accrued interest	12,010
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Due from other governments	<u>65,939</u>
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Total assets	<u><u>\$ 11,144,143</u></u>
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Liabilities

Accounts payable	501,099
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Salaries and benefits payable	1,166
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Due to other governments (note 5)	10,563,088
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Trusts payable	66,321
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Compensated absences	<u>12,469</u>
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Total liabilities	<u><u>\$ 11,144,143</u></u>
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See notes to financial statements.



UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies

Union County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Union County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. Union County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Union County Assessor's Conference Board and Union County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Iowa Area Detention Service Agency, South Central Iowa Regional E911 Service Board and Union County Development Association.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2007 included certificates of deposit of \$200,000 with maturity dates longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	10-50
Improvements other than buildings	25-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the capital projects function.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the County had the following investments:

	Amortized Cost/ Fair Value
Iowa Public Agency Investment Trust	\$ 629,064
U.S. government bonds	4,000
	<u>\$ 633,064</u>

The investments in the Iowa Public Agency Investment Trust are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The U.S. government bonds are stated at fair value.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 47,080
	Special Revenue: Rural Services	453,818
Flood and Erosion	Rural Services	12,000
Water Grid	Rural Services	5,500
Conservation Land Acquisition	General	11,000
Capital Projects	General	9,630
	Special Revenue: Resource Enhancement and Protection	4,692
	Conservation Land Acquisition	<u>7,312</u>
Total		\$ <u><u>551,032</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	\$ -	\$ -	\$ 253,619
Construction in progress	353,155	49,776	402,931	-
Total capital assets not being depreciated	<u>606,774</u>	<u>49,776</u>	<u>402,931</u>	<u>253,619</u>
Capital assets being depreciated:				
Buildings	1,895,987	-	-	1,895,987
Improvements other than buildings	48,202	-	-	48,202
Machinery and equipment	3,122,871	298,261	273,066	3,148,066
Infrastructure	3,831,042	2,168,249	-	5,999,291
Total capital assets being depreciated	<u>8,898,102</u>	<u>2,466,510</u>	<u>273,066</u>	<u>11,091,546</u>
Less accumulated depreciation for:				
Buildings	1,109,818	36,177	-	1,145,995
Improvements other than buildings	7,079	2,360	-	9,439
Machinery and equipment	2,270,113	186,323	273,066	2,183,370
Infrastructure	113,493	220,888	-	334,381
Total accumulated depreciation	<u>3,500,503</u>	<u>445,748</u>	<u>273,066</u>	<u>3,673,185</u>
Total capital assets being depreciated, net	<u>5,397,599</u>	<u>2,020,762</u>	<u>-</u>	<u>7,418,361</u>
Governmental activities capital assets, net	<u>\$ 6,004,373</u>	<u>\$ 2,070,538</u>	<u>\$ 402,931</u>	<u>\$ 7,671,980</u>

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 21,628
Physical health and social services	28,734
County environment and education	11,035
Roads and transportation	364,811
Administration	<u>19,540</u>

Total depreciation expense - governmental activities	<u><u>\$ 445,748</u></u>
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Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 22,483
Special Revenue:		
Mental Health	Services	<u>284,946</u>
Total for governmental funds		<u><u>\$ 307,429</u></u>
Agency:		
County Assessor	Collections	\$ 279,709
County Hospital		1,103,376
Schools		4,993,369
Community Colleges		216,380
Corporations		2,355,287
Auto License and Use Tax		234,573
Prairie Solid Waste Agency		1,051,048
All Other		<u>329,346</u>
Total for agency funds		<u><u>\$ 10,563,088</u></u>

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Capital Lease Purchase Agreement	General Obligation Bonds*	General Obligation Notes	Rural Development Loan	Compensated Absences	Total
Balance beginning of year	\$ 82,889	\$ 4,239,857	\$ -	\$ 20,575	\$ 147,666	\$ 4,490,987
Increases	-	-	515,000	-	148,529	663,529
Decreases	26,331	308,876	-	3,425	147,666	486,298
Balance end of year	<u>\$ 56,558</u>	<u>\$ 3,930,981</u>	<u>\$ 515,000</u>	<u>\$ 17,150</u>	<u>\$ 148,529</u>	<u>\$ 4,668,218</u>
Due within one year	<u>\$ 27,609</u>	<u>\$ 365,000</u>	<u>\$ 105,000</u>	<u>\$ 3,425</u>	<u>\$ 148,529</u>	<u>\$ 649,563</u>

\* = net of deferred amortization costs

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a John Deere motor grader with a historical cost of \$165,000. The following is a schedule of the future minimum lease payments, including interest of 4.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

Year Ending June 30,	Total
2008	\$ 30,355
2009	<u>30,354</u>
Total minimum lease payments	60,709
Less amount representing interest	<u>(4,151)</u>
Present value of net minimum lease payments	<u>\$ 56,558</u>

# UNION COUNTY

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

### Note 6. Long-Term Liabilities (continued)

#### General Obligation Urban Renewal Refunding Bonds Payable

A summary of the County's June 30, 2007, general obligation urban renewal refunding bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.250 %	\$ 365,000	\$ 155,424	\$ 520,424
2009	3.250	375,000	143,561	518,561
2010	3.250	385,000	131,374	516,374
2011	3.400	400,000	118,861	518,861
2012	3.600	415,000	105,261	520,261
2013	3.750	425,000	90,321	515,321
2014	3.875	445,000	74,384	519,384
2015	3.900	460,000	57,140	517,140
2016	4.000	480,000	39,200	519,200
2017	4.000	500,000	20,000	520,000
		<u>\$ 4,250,000</u>	<u>\$ 935,526</u>	<u>\$ 5,185,526</u>

During the year ended June 30, 2004, the County performed an advance refunding of the old general obligation capital loan notes dated 1997 and 1998. The advance refunding resulted in a difference between the reacquisition price of the new debt and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds, is being amortized through the year 2014 using the straight line method. Deferred amortization costs totaled \$319,019 at June 30, 2007. Amortization expense totaled \$46,124 for the current year.

UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007

Note 6. Long-Term Liabilities (continued)

General Obligation County Purpose Notes Payable

During the year ended June 30, 2007 the County issued \$515,000 of general obligation County purpose notes for the purpose of equipping and remodeling County buildings, acquisition of Sheriff and Conservation vehicles, and paying legal costs related to urban renewal bonds.

A summary of the County's June 30, 2007 general obligation County purpose note indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	3.60 %	\$ 105,000	\$ 20,803	\$ 125,803
2009	3.65	115,000	15,422	130,422
2010	3.70	120,000	11,225	131,225
2011	3.75	60,000	6,785	66,785
2012	3.80	60,000	4,535	64,535
2013	4.00	10,000	2,255	12,255
2014	4.00	10,000	1,855	11,855
2015	4.10	10,000	1,455	11,455
2016	4.15	10,000	1,045	11,045
2017	4.20	15,000	630	15,630
		<u>\$ 515,000</u>	<u>\$ 66,010</u>	<u>\$ 581,010</u>

Rural Development Loan

On July 25, 2002, the County entered into an interest-free loan agreement with Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lake Lodge operated by the Union County Conservation Board.

A summary of the County's June 30, 2007 rural development loan indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2008	\$ 3,425
2009	3,425
2010	3,425
2011	3,425
2012	3,450
	<u>\$ 17,150</u>

## UNION COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

#### Note 7. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$135,203, \$129,368 and \$124,177, respectively, equal to the required contributions for each year.

#### Note 8. Risk Management

Union County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Note 9. Employee Health Insurance Plan

The Union County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. Claims in excess of coverage are insured through the purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Union County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to American Administrators from the Union County Employee Group Health Fund. The County records the plan assets and related liabilities of the Union County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$677,054.

# UNION COUNTY

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

### Note 9. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2007 total \$105,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$254,848 at June 30, 2007 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2006	\$ 105,000
Incurred claims (including claims incurred but not reported at June 30, 2007)	795,386
Payments	<u>(795,386)</u>
Unpaid claims at June 30, 2007	\$ <u>105,000</u>

### Note 10. Subsequent Events

On July 1, 2007, the County issued \$1,500,000 of general obligation solid waste disposal notes. The notes will be repaid over twenty years with interest rates from 4.100% to 4.375%.

On July 24, 2007, the County loaned the \$1,500,000 to the Prairie Solid Waste Agency. The loan was secured by the issuance of \$1,500,000 of solid waste disposal revenue bonds to the County. The revenue bonds will be paid to the County on the same schedule as the County's notes are due. The revenue bonds will be redeemed only from the future solid waste collection fees of the Prairie Solid Waste Agency.

On March 10, 2008, the County approved the future issuance of \$700,000 through a general obligation loan agreement for the purpose of paying the legal costs related to an urban renewal project.

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## Required Supplementary Information

# UNION COUNTY

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2007

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 4,168,712	\$ 3,865,773	\$ 3,969,180	\$ 199,532
Interest and penalty on property tax	43,247	35,650	35,650	7,597
Intergovernmental	2,801,502	2,625,614	2,629,534	171,968
Licenses and permits	22,733	24,705	24,705	(1,972)
Charges for service	422,859	379,821	379,821	43,038
Use of money and property	195,032	110,610	110,610	84,422
Miscellaneous	116,341	6,500	6,500	109,841
Total receipts	<u>7,770,426</u>	<u>7,048,673</u>	<u>7,156,000</u>	<u>614,426</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,218,808	1,207,471	1,330,578	111,770
Physical health and social services	292,838	345,812	365,932	73,094
Mental health	1,600,693	1,607,943	1,607,943	7,250
County environment and education	369,668	414,934	422,694	53,026
Roads and transportation	2,605,241	2,568,945	2,663,945	58,704
Government services to residents	377,216	414,340	422,640	45,424
Administration	942,718	838,228	955,028	12,310
Debt service	519,799	519,900	519,900	101
Capital projects	167,692	140,000	140,000	(27,692)
Total disbursements	<u>8,094,673</u>	<u>8,057,573</u>	<u>8,428,660</u>	<u>333,987</u>
Excess (deficiency) of receipts over (under) disbursements	(324,247)	(1,008,900)	(1,272,660)	948,413
Other financing sources, net	<u>515,196</u>	-	-	<u>515,196</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	190,949	(1,008,900)	(1,272,660)	1,463,609
Balance beginning of year	<u>2,286,320</u>	<u>2,125,384</u>	<u>2,125,384</u>	<u>160,936</u>
Balance end of year	<u>\$ 2,477,269</u>	<u>\$ 1,116,484</u>	<u>\$ 852,724</u>	<u>\$ 1,624,545</u>

See accompanying independent auditor's report.

# UNION COUNTY

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,770,426	\$ 55,806	\$ 7,826,232
Expenditures	8,094,673	241,790	8,336,463
Net	(324,247)	(185,984)	(510,231)
Other financing sources	515,196	-	515,196
Beginning fund balances	2,286,320	(56,470)	2,229,850
Ending fund balances	<u>\$ 2,477,269</u>	<u>\$ (242,454)</u>	<u>\$ 2,234,815</u>

See accompanying independent auditor's report.

## UNION COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and agency funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$371,087. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the capital projects function. Disbursements also exceeded the amount budgeted for the County Extension Office.

## Other Supplementary Information

UNION COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue				
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Care Facility Trust
Assets					
Cash and pooled investments	\$ 669	\$ 27,147	\$ 32,051	\$ 14,964	\$ 114,270
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	284	-	-
Accrued interest	-	-	99	3	1,337
Total assets	<u>\$ 669</u>	<u>\$ 27,147</u>	<u>\$ 32,434</u>	<u>\$ 14,967</u>	<u>\$ 115,607</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,391	\$ -	\$ 3,259
Salaries and benefits payable	-	-	135	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,526</u>	<u>-</u>	<u>3,259</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	<u>669</u>	<u>27,147</u>	<u>30,908</u>	<u>14,967</u>	<u>112,348</u>
Total fund equity	<u>669</u>	<u>27,147</u>	<u>30,908</u>	<u>14,967</u>	<u>112,348</u>
Total liabilities and fund equity	<u>\$ 669</u>	<u>\$ 27,147</u>	<u>\$ 32,434</u>	<u>\$ 14,967</u>	<u>\$ 115,607</u>

See accompanying independent auditor's report.

<u>Care Facility Depreciation</u>	<u>Commissary</u>	<u>COOP Urban Renewal</u>	<u>Water Grid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 23,841	\$ 6,256	\$ 205,895	\$ 11,101	\$ 11,845	\$ 519,848	\$ 967,887
-	-	-	-	1,515	-	1,515
-	-	274,000	-	121,000	-	395,000
-	-	-	-	-	-	284
-	-	1,644	8	-	5	3,096
<u>\$ 23,841</u>	<u>\$ 6,256</u>	<u>\$ 481,539</u>	<u>\$ 11,109</u>	<u>\$ 134,360</u>	<u>\$ 519,853</u>	<u>\$ 1,367,782</u>
\$ -	\$ -	\$ 150	\$ -	\$ -	\$ 82,152	\$ 86,952
-	-	-	-	-	-	135
-	-	274,000	-	121,000	-	395,000
-	-	-	-	1,515	-	1,515
-	-	274,150	-	122,515	82,152	483,602
-	-	-	-	11,845	-	11,845
23,841	6,256	207,389	11,109	-	437,701	872,335
<u>23,841</u>	<u>6,256</u>	<u>207,389</u>	<u>11,109</u>	<u>11,845</u>	<u>437,701</u>	<u>884,180</u>
<u>\$ 23,841</u>	<u>\$ 6,256</u>	<u>\$ 481,539</u>	<u>\$ 11,109</u>	<u>\$ 134,360</u>	<u>\$ 519,853</u>	<u>\$ 1,367,782</u>

UNION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	Special Revenue				
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Care Facility Trust
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	-	7,017	-	8,000	-
Charges for service	-	-	3,015	-	-
Use of money and property	-	600	425	34	4,234
Total revenues	-	7,617	3,440	8,034	4,234
Expenditures:					
Operating:					
Physical health and social services	-	-	-	-	6,109
County environment and education	11,346	-	-	-	-
Government services to residents	-	-	4,966	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	11,346	-	4,966	-	6,109
Excess (deficiency) of revenues over (under) expenditures	(11,346)	7,617	(1,526)	8,034	(1,875)
Other financing sources (uses):					
Interfund transfers in	12,000	-	-	11,000	-
Interfund transfers out	-	(4,692)	-	(7,312)	-
General obligation note proceeds	-	-	-	-	-
Total other financing sources (uses)	12,000	(4,692)	-	3,688	-
Net change in fund balances	654	2,925	(1,526)	11,722	(1,875)
Fund balances beginning of year	15	24,222	32,434	3,245	114,223
Fund balances end of year	\$ 669	\$ 27,147	\$ 30,908	\$ 14,967	\$ 112,348

See accompanying independent auditor's report.



Care Facility Depreciation	Commissary	COOP Urban Renewal	Water Grid	Debt Service	Capital Projects	Total
\$ -	\$ -	\$ 224,522	\$ -	\$ 273,785	\$ -	\$ 498,307
-	-	-	-	16,712	-	31,729
-	-	-	-	-	-	3,015
16,841	1,921	14,585	87	-	3,157	41,884
16,841	1,921	239,107	87	290,497	3,157	574,935
14,958	-	-	-	-	-	21,067
-	-	-	-	-	-	11,346
-	-	-	-	-	-	4,966
-	-	230,413	-	289,536	-	519,949
-	-	-	-	-	97,474	97,474
14,958	-	230,413	-	289,536	97,474	654,802
1,883	1,921	8,694	87	961	(94,317)	(79,867)
-	-	-	5,500	-	21,634	50,134
-	-	-	-	-	-	(12,004)
-	-	-	-	-	510,063	510,063
-	-	-	5,500	-	531,697	548,193
1,883	1,921	8,694	5,587	961	437,380	468,326
21,958	4,335	198,695	5,522	10,884	321	415,854
\$ 23,841	\$ 6,256	\$ 207,389	\$ 11,109	\$ 11,845	\$ 437,701	\$ 884,180

UNION COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2007

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,924
Other County officials	4,080	18,942	19,258	-
Receivables:				
Property tax:				
Delinquent	-	-	-	568
Succeeding year	-	-	-	97,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 4,080</u>	<u>\$ 18,942</u>	<u>\$ 19,258</u>	<u>\$ 99,492</u>
LIABILITIES				
Accounts payable	\$ -	\$ 10,983	\$ 51	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	7,959	-	99,492
Trusts payable	4,080	-	19,207	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 4,080</u>	<u>\$ 18,942</u>	<u>\$ 19,258</u>	<u>\$ 99,492</u>

<u>County Assessor</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Townships</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 133,511	\$ 21,136	\$ 97,505	\$ 4,154	\$ 3,090	\$ 29,219	\$ 2,927
-	-	-	-	-	-	-
873	6,240	28,864	1,226	941	11,068	-
149,000	1,076,000	4,867,000	211,000	132,000	2,315,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 283,384</u>	<u>\$ 1,103,376</u>	<u>\$ 4,993,369</u>	<u>\$ 216,380</u>	<u>\$ 136,031</u>	<u>\$ 2,355,287</u>	<u>\$ 2,927</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
279,709	1,103,376	4,993,369	216,380	136,031	2,355,287	2,927
-	-	-	-	-	-	-
3,675	-	-	-	-	-	-
<u>\$ 283,384</u>	<u>\$ 1,103,376</u>	<u>\$ 4,993,369</u>	<u>\$ 216,380</u>	<u>\$ 136,031</u>	<u>\$ 2,355,287</u>	<u>\$ 2,927</u>

UNION COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2007

	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Prairie Solid Waste Agency
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 289	\$ 240,604	\$ 6	\$ 1,415,949
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	8	-	-	-
Succeeding year	1,000	-	-	-
Accounts	-	3,728	-	6,030
Accrued interest	-	-	-	11,429
Due from other governments	-	-	-	60,465
Total assets	<u>\$ 1,297</u>	<u>\$ 244,332</u>	<u>\$ 6</u>	<u>\$ 1,493,873</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 9,759	\$ -	\$ 441,659
Salaries and benefits payable	-	-	-	1,166
Due to other governments	1,297	234,573	6	1,051,048
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 1,297</u>	<u>\$ 244,332</u>	<u>\$ 6</u>	<u>\$ 1,493,873</u>

See accompanying independent auditor's report.

<u>Law Enforcement Commission</u>	<u>Empowerment Board</u>	<u>Emergency Management</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 2,332	\$ 118,730	\$ 1,426	\$ 42,758	\$ 276	\$ 244	\$ 2,116,080
-	-	-	-	-	-	42,280
-	-	-	-	-	-	49,788
-	-	-	-	-	-	8,848,000
-	-	4	-	-	284	10,046
-	565	16	-	-	-	12,010
5,474	-	-	-	-	-	65,939
<u>\$ 7,806</u>	<u>\$ 119,295</u>	<u>\$ 1,446</u>	<u>\$ 42,758</u>	<u>\$ 276</u>	<u>\$ 528</u>	<u>\$ 11,144,143</u>
\$ 4,042	\$ 34,427	\$ 178	\$ -	\$ -	\$ -	\$ 501,099
-	-	-	-	-	-	1,166
3,764	84,868	(7,526)	-	-	528	10,563,088
-	-	-	42,758	276	-	66,321
-	-	8,794	-	-	-	12,469
<u>\$ 7,806</u>	<u>\$ 119,295</u>	<u>\$ 1,446</u>	<u>\$ 42,758</u>	<u>\$ 276</u>	<u>\$ 528</u>	<u>\$ 11,144,143</u>

UNION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2007

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 4,080	\$ 18,607	\$ 6,981	\$ 100,794
Additions:				
Property and other County tax	-	-	-	97,977
State tax credits	-	-	-	6,185
Contract law enforcement	-	-	-	-
Office fees and collections	1,639	219,839	40,582	-
Auto license, use tax, drivers license and postage	-	-	-	-
Solid waste fees	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	160	-	269,907	-
Miscellaneous	-	-	-	-
Total additions	1,799	219,839	310,489	104,162
Deductions:				
Agency remittances:				
To other funds	1,639	107,800	39,968	-
To other governments	-	111,704	564	105,464
Trusts paid out	160	-	257,680	-
Total deductions	1,799	219,504	298,212	105,464
Balances end of year	\$ 4,080	\$ 18,942	\$ 19,258	\$ 99,492

<u>County Assessor</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Townships</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ <u>291,778</u>	\$ <u>1,111,106</u>	\$ <u>5,180,811</u>	\$ <u>218,143</u>	\$ <u>136,696</u>	\$ <u>2,118,228</u>	\$ <u>5,026</u>
149,989	1,083,990	4,903,170	212,668	134,481	2,255,148	-
9,506	67,938	314,603	13,353	8,258	126,702	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	8,459
-	-	-	-	-	-	-
2,888	-	-	-	-	-	-
<u>162,383</u>	<u>1,151,928</u>	<u>5,217,773</u>	<u>226,021</u>	<u>142,739</u>	<u>2,381,850</u>	<u>8,459</u>
-	-	-	-	-	-	-
170,777	1,159,658	5,405,215	227,784	143,404	2,144,791	10,558
-	-	-	-	-	-	-
<u>170,777</u>	<u>1,159,658</u>	<u>5,405,215</u>	<u>227,784</u>	<u>143,404</u>	<u>2,144,791</u>	<u>10,558</u>
\$ <u>283,384</u>	\$ <u>1,103,376</u>	\$ <u>4,993,369</u>	\$ <u>216,380</u>	\$ <u>136,031</u>	\$ <u>2,355,287</u>	\$ <u>2,927</u>

UNION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2007

	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Prairie Solid Waste Agency
ASSETS AND LIABILITIES				
Balances beginning of year	\$ <u>1,290</u>	\$ <u>220,660</u>	\$ <u>5</u>	\$ <u>1,228,545</u>
Additions:				
Property and other County tax	1,256	-	-	-
State tax credits	180	-	-	-
Contract law enforcement	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	-	2,751,021	-	-
Solid waste fees	-	-	-	922,125
Interest	-	-	-	55,295
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	109	128,084
Total additions	<u>1,436</u>	<u>2,751,021</u>	<u>109</u>	<u>1,105,504</u>
Deductions:				
Agency remittances:				
To other funds	-	109,359	-	-
To other governments	1,429	2,617,990	108	840,176
Trusts paid out	-	-	-	-
Total deductions	<u>1,429</u>	<u>2,727,349</u>	<u>108</u>	<u>840,176</u>
Balances end of year	\$ <u><u>1,297</u></u>	\$ <u><u>244,332</u></u>	\$ <u><u>6</u></u>	\$ <u><u>1,493,873</u></u>

See accompanying independent auditor's report.



<u>Law Enforcement Commission</u>	<u>Empowerment Board</u>	<u>Emergency Management</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ <u>6,226</u>	\$ <u>60,816</u>	\$ <u>18,164</u>	\$ <u>49,736</u>	\$ <u>-</u>	\$ <u>649</u>	\$ <u>10,778,341</u>
-	-	-	-	-	-	8,838,679
-	-	-	-	-	-	546,725
70,396	-	-	-	-	-	70,396
-	-	-	-	-	3,351	265,411
-	-	-	-	-	-	2,751,021
-	-	-	-	-	-	922,125
-	1,799	250	-	-	10	57,354
-	-	-	-	-	-	8,459
-	-	-	62,804	210,791	-	543,662
2,073	277,592	73,794	-	-	-	484,540
<u>72,469</u>	<u>279,391</u>	<u>74,044</u>	<u>62,804</u>	<u>210,791</u>	<u>3,361</u>	<u>14,488,372</u>
-	-	-	-	-	-	258,766
70,889	220,912	90,762	-	-	3,482	13,325,667
-	-	-	69,782	210,515	-	538,137
<u>70,889</u>	<u>220,912</u>	<u>90,762</u>	<u>69,782</u>	<u>210,515</u>	<u>3,482</u>	<u>14,122,570</u>
\$ <u><u>7,806</u></u>	\$ <u><u>119,295</u></u>	\$ <u><u>1,446</u></u>	\$ <u><u>42,758</u></u>	\$ <u><u>276</u></u>	\$ <u><u>528</u></u>	\$ <u><u>11,144,143</u></u>

UNION COUNTY  
LAW ENFORCEMENT COMMISSION FUND  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Year Ended June 30, 2007

## Additions:

Contributions from other governmental units:

Union County	\$ 35,709	
City of Creston	<u>34,687</u>	\$ 70,396

Miscellaneous - Insurance claim

2,073

72,469

## Deductions:

Office supplies	2,798	
Telephone	8,408	
Computer software maintenance	4,983	
Inmate supplies	1,043	
Contractual services	5,844	
Janitorial	4,857	
Utilities	25,510	
Sanitation	1,728	
Repairs and maintenance	7,924	
Insurance	1,937	
Equipment	3,259	
Building improvements	959	
Miscellaneous	<u>1,639</u>	<u>70,889</u>

Net

1,580

Balance beginning of year

6,226

Balance end of year

\$ 7,806

See accompanying independent auditor's report.

## UNION COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other County tax	\$ 4,175,010	\$ 3,926,941	\$ 3,499,594	\$ 4,373,383
Interest and penalty on property tax	43,384	49,311	68,137	48,989
Intergovernmental	2,864,507	2,816,113	3,071,775	3,157,926
Licenses and permits	23,685	18,653	18,918	14,649
Charges for service	425,628	420,238	424,541	381,389
Use of money and property	182,316	152,784	107,413	97,546
Miscellaneous	111,702	107,292	58,245	76,148
Total	<u>\$ 7,826,232</u>	<u>\$ 7,491,332</u>	<u>\$ 7,248,623</u>	<u>\$ 8,150,030</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,220,990	\$ 1,171,759	\$ 1,117,032	\$ 1,166,689
Physical health and social services	283,170	345,669	297,102	270,334
Mental health	1,640,412	1,573,478	1,389,755	1,362,450
County environment and education	364,017	386,967	282,238	319,864
Roads and transportation	2,740,437	2,271,050	2,397,005	2,356,278
Government services to residents	383,077	505,397	332,205	304,926
Administration	945,591	848,301	795,600	984,631
Debt service	519,949	518,399	516,781	543,435
Capital projects	238,820	540,593	95,516	664,585
Total	<u>\$ 8,336,463</u>	<u>\$ 8,161,613</u>	<u>\$ 7,223,234</u>	<u>\$ 7,973,192</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Union County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Union County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Union County's financial statements that is more than inconsequential will not be prevented or detected by Union County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Union County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Union County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 14, 2008

UNION COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County’s financial statements and material differences in depreciation expense for capital assets. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset depreciation are identified and included in the County’s financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

- I-B-07 General Ledger – We noted that disbursements for the Internal Service, Employee Group Health Fund are entered into the County’s general ledger when the checks clear the bank, rather than when the checks are written. At June 30, 2007, outstanding checks of \$29,496 were not included in the general ledger. In addition, \$160,147 of July property tax orders to other taxing entities were shown as outstanding as of June 30. Adjustments were made to properly report these items in the financial statements.

Recommendation – All disbursements should be recorded in the general ledger when the checks or orders are actually written.

Response – We will properly record all disbursements in the future.

Conclusion – Response accepted.

- I-C-07 Disbursements – Out of forty disbursements tested, one was not fully supported by an invoice or receipt prior to the warrant being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation, prior to the warrant being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the warrant being released for payment.

Conclusion – Response accepted.

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UNION COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

- I-D-07 Safeguarding of Assets – County Conservation – During the year, a conservation building was broken into and some small equipment and a minimal amount of cash were stolen. The cash was not locked in a secure safe or vault.

Recommendation – Deposits of camping fees and other conservation receipts should be made daily if possible. If cash is to be held overnight, it should be securely locked in a safe or vault.

Response – Conservation receipts are now being deposited more timely. When cash is unable to be deposited right away, it is brought up to the law enforcement center and stored in their vault.

Conclusion – Response accepted.

UNION COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07    Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the capital projects function.
- Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will amend the budget when required.
- Conclusion – Response accepted.
- II-B-07    Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-07    Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-07    Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-07    Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-07    Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-07    Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-07    Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).



UNION COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office exceeded the amount budgeted.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budget.

Response – We will monitor disbursements more closely in the future and amend the budget when required.

Conclusion – Response accepted.

- II-J-07 Financial Condition – The Special Revenue, Mental Health Fund had a negative fund balance of \$173,743 at June 30, 2007.

Recommendation – The County needs to explore alternatives to restore the Mental Health Fund to a sound financial condition.

Response – We will work on restoring the Mental Health Fund to a sound financial condition.

Conclusion – Response accepted.

- II-K-07 Law Enforcement Commission Minutes – The County is the fiscal agent for the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The minutes of the Law Enforcement Commission's meetings were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The minutes for all meetings of the Law Enforcement Commission should be published as required.

Response – As of January 2008, we are publishing the minutes for the Law Enforcement Commission's meetings.

Conclusion – Response accepted.

- II-L-07 Payments in Lieu of Insurance Coverage – We noted an employee who received monthly payments from the County in lieu of receiving County health insurance coverage. However, the payments did not go through the County's payroll.

Recommendation – Any such payments should be through the County's payroll process with the appropriate taxes withheld.

Response – We will treat any future payments in lieu of health insurance as a payroll item.

Conclusion – Response accepted.

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